

TAXES vol. 3

The activities in this section explore the topic of taxes in Canada. The activities present information on how the taxation system works and what kinds of taxes Canadians pay, and explore issues related to personal income tax, such as filing a return and social assistance programs.

The *Taxes* section includes two sets of activities:

Canadian Tax system

Filing an Income Tax Return

You can select activities to teach based on the needs and interest of the learners in your class. The activities can be used individually and need not be used in the sequence in which they are presented. You may also add your own activities where appropriate. Suggestions and ideas for extending or complementing the specific activities are included in the teaching notes.

The activities in this section relate to the following themes in *LINC 1–5 Curriculum Guidelines*:

- ***Commercial Services and Business***
- ***At Home in Our Community and the World***

LEARNING OUTCOMES

The sample learning outcomes below can help you plan a lesson or series of lessons about taxes. The outcomes are intended to guide you in defining areas of content and contexts for the language instruction. The financial literacy outcomes can help you determine the aspects of financial literacy to include in your instruction in order to facilitate learners' understanding, knowledge and competence. The language outcomes can guide you in selecting and designing language activities at CLB 6–8 that support financial literacy.

The activities included in this section are intended to support the outcomes below.

SAMPLE FINANCIAL LITERACY OUTCOMES

Understanding and knowledge

- Understand vocabulary and concepts related to taxes
- Understand how Canadian taxation system works: how taxes are collected and spent
- Recognize how taxation provides for public services and products
- Understand how to file a personal tax return

Application

- Identify specific services supported by taxation at different levels of government
- Identify documents needed and ways to file a personal income tax return for own purposes
- Calculate approximate personal income tax

SAMPLE LANGUAGE AND NUMERACY OUTCOMES

- Demonstrate comprehension of the gist, factual details and some implied meanings in a text about Canada's taxation system
- Describe how taxation supports different public services and products
- Participate in a small group/class discussion about spending tax dollars
- Identify factual details and implied meanings in a web-based text/video about social assistance programs available through income tax return
- Give a short oral presentation about selected social assistance programs available through income tax return

When planning a lesson or a series of lessons, you can use the listed outcomes as they are or develop your own based on the needs and interests of the learners in your class. For ideas and strategies for conducting a needs assessment, see the *Instructor Guide*.

BACKGROUND INFORMATION AND KEY LANGUAGE ELEMENTS

You can use the background information about taxes to familiarize yourself with the key concepts and terms that are presented in the learner activities in this section. For sources of more information on the topic of taxes or related classroom resources, please see the *Useful Websites* section.

The sidebar below lists major language elements that you may want to introduce or review to support the thematic content of the activities.

Canada's Taxation System

In Canada, each level of government—municipal, provincial or territorial, and federal—has the power to levy taxes. Municipal taxes are typically levied on real property and may be assessed based on the appraised market value of the property. Property taxes are the main source of revenue for most municipalities in Canada. Provincial and territorial taxes may include income tax, health care tax and sales tax. Federal taxes include income tax, Canada Pension Plan contributions and Employment Insurance contributions. Other, less visible federal taxes include import duties and taxes on liquor, cigarettes, entertainment, automobiles and gasoline. Governments at all three levels depend on taxation to pay for the services they are responsible for providing. Newcomers are usually interested in learning about the responsibilities of each level of government and will likely want to know how taxes are spent.

Harmonized Sales Tax (HST)

Newcomers quickly become familiar with sales taxes as they shop and pay for goods and services. Provincial sales tax varies from province to province. In Ontario, the combined federal and provincial sales tax rate (Harmonized Sales Tax, or HST) is 13 percent. The Government of Ontario receives 8 percent of the HST while the federal government receives 5 percent. HST is charged on most goods and services, with some exceptions, such as basic food items and prescription drugs. Sales taxes are complex, as some goods and services are exempt only from the federal portion or only from the provincial portion. It is important that newcomers understand when and how much sales tax they will pay, especially when planning for big-ticket purchases.

Income Tax Deductions

Income tax is levied at both the federal and provincial levels. Usually, both income taxes are deducted each pay period by the employer and appear as a single deduction on the employee's pay stub or statement of earnings. The amount of income tax deducted is determined by the total earnings reported for the pay period. Self-employed individuals must pay income tax either annually when they file a tax return or in instalments throughout the year. Annual earnings of less than the personal amounts set by the government each year are exempt from income tax.

Filing a Tax Return

Newcomers may not know that they need to file a tax return for the part of the tax year following their arrival in Canada. Furthermore, newcomers should understand that paying taxes, particularly income tax, is considered a responsibility of all residents of Canada and a demonstration of good citizenship values. Filing an income tax return in Canada is a matter of voluntary compliance. Citizens and all people who are deemed to be residents for income tax purposes are required to file a tax return if they owe income tax or if they want to receive a refund. In addition, anyone who wishes to receive credits or payments such as the GST/HST (goods and services tax/harmonized sales tax) credit, Canada Child Tax Benefit payments, and provincial or territorial tax credits must file a tax return. Failure to pay taxes can result in penalties and interest charges on the amount owing, or even a jail sentence. Free income tax clinics staffed by professional volunteers are available to newcomers through community agencies. To prepare a tax return, one must have a social insurance number and all required documents, such as Statements of Earnings for the tax year, as well as receipts for all credits to be claimed.

Key vocabulary and collocations

tax credit
tax deduction
tax rate
taxable income
excise tax
consumption tax
commodity tax
property tax
income tax
tax return
to levy tax
to impose tax
to file a tax return
voluntary compliance
tax evasion
refund
transfer payments

Abbreviations

CPP
EI
CCTB
GST, PST, HST
CRA

Possible grammar structures

passive voice to
describe how tax
dollars are spent or
how income tax is
calculated
conditional sentences
to describe
consequences in
different situations
adjective clauses to
define specific terms
related to taxes

CANADIAN TAX SYSTEM

Objective(s) and CLB level

The objective of this series of activities is to familiarize learners with some of the concepts, terminology and strategies related to the Canadian tax system. The activities provide background information on the topic and offer practice in listening and speaking, and are generally appropriate for learners at CLB 6 and up.

Targeted financial literacy outcomes

The activities in this section and the activity ideas in the teaching notes will help learners achieve the following financial literacy outcomes:

- Understand how the Canadian taxation system works: how taxes are collected and spent
- Recognize how taxation provides for public services and products
- Identify specific services supported by taxation at different levels of government

Corresponding CLB competencies

🗣️ CLB 6: Give detailed presentations about ... simple processes, or descriptions or comparisons ...

🗣️ CLB 6, 7: Ask for and give information in some detail; express opinions ... in small group discussions or meetings (CLB 6); give detailed information: express and qualify opinions ... in small group discussions and meetings (CLB 7).

📖 CLB 6–8: Understand moderately complex descriptive or narrative text (CLB 6), moderately complex extended descriptions, reports and narrations on familiar topics (CLB 7, 8), moderately complex feature articles (CLB 8).

📖 CLB 6–8: Access, locate and integrate information from online reference sources.

Procedures

A. This is a warm-up activity that introduces the topic of taxes. You can start by eliciting information about taxes in learners' countries of origin.

Extend this activity: Ask learners to prepare a quiz about taxes in Canada.

B. This is a vocabulary practice that requires learners to provide definitions of words/collocations related to taxes. Learners can use online dictionaries to find the meanings.

C and D. The objective of these two activities is to activate learners' knowledge of the topic; they can work in pairs or small groups. The information can then be shared with the whole class. You can also ask learners to describe the information in the tables in paragraph format.

E. This text provides learners with background information about Canada's taxation system. Have learners further research information about the specific types of taxes. Learners can also summarize the text in point form. For learners at CLB 7 and 8, you could use this text as listening material and use the questions to check comprehension. You may need to ask more detailed questions to ensure comprehension at CLB 6.

F. This is an online research activity that can also be done as an independent learning task. Learners can access the websites of various municipalities and search for the needed information. All municipalities provide information in their annual reports on how their tax dollars are spent. This information can be presented in point form, in a graph and/or in a descriptive report.

Extend this activity: You can invite a member of your local city council to speak about how your municipality collects and spends its revenues. Ask learners to prepare questions in advance.

THE CANADIAN TAX SYSTEM

A. Answer the questions below.

1. What is the purpose of taxes? What types of taxes do you know of?
2. How are taxes collected in the country you come from?
3. How are taxes usually spent? Give examples.
4. What do you know about the tax system in Canada?

B. Explain what the following words mean. Then, use them in sentences to illustrate their meanings.

| | | | | |
|---------------|---------------------|----------------|----------------------|-----|
| excise tax | personal income tax | taxable income | property tax | HST |
| corporate tax | tax evasion | to levy a tax | voluntary compliance | GST |

C. In Canada, taxes are imposed by different levels of government: federal, provincial or territorial, and municipal. Make a list of taxes that you know of, and group them under each type of government.

| FEDERAL | PROVINCIAL/TERRITORIAL | MUNICIPAL |
|--------------------------------|------------------------|-----------|
| e.g., <i>GST, gasoline tax</i> | | |

D. Read the examples of services provided by different levels of government. List them under the appropriate type of government and add more services to the list.

| | | | | |
|-----------------------|-----------|------------------|---------|--------------------|
| waste collection | education | highways | parks | emergency services |
| public transportation | libraries | national defence | pension | health care |

| FEDERAL | PROVINCIAL/TERRITORIAL | MUNICIPAL |
|-------------------------------|------------------------|------------------------|
| e.g., <i>national defence</i> | | e.g., <i>libraries</i> |

E. Read the text about the Canadian tax system and answer the questions that follow.

CANADA'S TAXATION SYSTEM

Canada's taxation system is similar to that of many other countries. Taxes, as well as tariffs and duties, are collected by different levels of government and then redistributed to fund various programs and services. Canada has the following levels of taxation:

Federal: taxes are collected by the Canada Revenue Agency (CRA), the federal agency administering tax laws for the Government of Canada.

Provincial/territorial: taxes are collected through provincial/territorial revenue or finance departments.

Municipal: taxes are collected through local government.

These levels of government levy different types of taxes on consumers, wage earners and businesses. The basic types of taxes include:

Personal income tax: this tax comes from an individual's employment earnings. Personal income taxes are the most significant sources of revenue for federal and provincial/territorial levels of government, accounting for almost 48 percent of tax revenue (2011). Income taxes throughout Canada are progressive, with higher-income residents paying a higher percentage than lower-income residents. The combined federal and provincial/territorial income taxes are collected by the CRA by agreement with the provinces, except Quebec. The provincial tax rates, expressed as a percentage of federal tax payable, vary from province to province.

Corporate tax: Companies and corporations pay tax on profit income and on capital. These taxes make up a rather small portion of total tax revenue (13 percent in 2011).

Consumer and excise taxes: these taxes are derived from the production, sale and consumption of various goods and services. The sales tax universally levied across Canada is the federal sales tax of 5 percent, called the Goods and Services Tax (GST). All provincial governments except Alberta also levy sales taxes. The provincial sales taxes (PST) for the provinces of British Columbia, Nova Scotia, New Brunswick, Newfoundland and Labrador, and Ontario are harmonized with the GST—in other words, these provinces have a combined tax instead of separate GST and PST. This combined tax is called Harmonized Sales Tax (HST). The provinces of Quebec and Prince Edward Island apply provincial sales tax to the sum of price and GST. The territories of Nunavut, Yukon and Northwest Territories charge GST only. Provincial sales tax rates at the retail level differ from province to province. Excise taxes are taxes imposed by both the federal and provincial governments on alcohol, tobacco, gasoline and vehicle air conditioning. Canada has some of the highest rates of taxes on cigarettes and alcohol in the world.

Property taxes: These taxes are derived from residential, commercial and industrial properties; they are levied on the value of the property (land and buildings) annually by municipal governments. Property taxes derived from the sale and transfers of property are called land transfer taxes.

Tariffs and duties: these come from import/export, and are based on the movement of goods across borders.

E. Read the text about the Canadian tax system and answer the questions that follow.

1. How are taxes collected in Canada?
2. Which tax constitutes the largest portion of annual government revenue? Why?
3. How do income taxes vary from province to province?
4. What is a corporate tax?
5. What are GST, PST and HST? How do they differ from province to province?
6. Who pays excise taxes? Why, in your opinion, are excise tax rates very high in Canada?
7. How often are property taxes paid? Who pays them?
8. What are duties and tariffs?

F. ① Search the Internet for information about how tax dollars are spent in a municipality of your choice.

- Write a paragraph to describe the services, programs and policies made possible through residential taxes.
- Research how tax dollars are spent in other municipalities you know of. Compare the results of your research with a classmate's results and discuss differences (e.g., small town vs. large city).

G. In small groups, discuss the scenario and make decisions. Present your decisions and reasons to the class.

You are a member of the town council. Your town has additional tax revenues of \$500,000 for the last fiscal year and it needs to decide how to allocate these resources. The proposed ideas include:

- building a soccer field for a newly developed neighbourhood
- purchasing trees for the town's green spaces
- updating the library's computer and information system
- developing a support/training program for small business owners
- organizing seasonal festivals for residents (e.g., summer jazz festival, winter carnival)

Discuss the proposed ideas and add your own to the list; develop a list of pros and cons for each idea. Consider the following factors:

- how each idea would benefit the community
- what financial impact (short-term and long-term) it would have

Decide which way the town should use its tax money.

FILING AN INCOME TAX RETURN

Objective(s) and CLB level

The objective of this series of activities is to familiarize learners with the process of filing a personal income tax return, and related concepts and terminology. The activities provide practice in listening, speaking and research skills. These activities are generally appropriate for learners at CLB 6 and up.

Targeted financial literacy outcomes

The activities in this section and the activity ideas in the teaching notes will help learners achieve the following financial literacy outcomes:

- Understand how personal income tax return is filed
- Identify ways to file a personal income tax return and documents needed for own purposes

Corresponding CLB competencies

¶ CLB 6–8: Understand the gist and some details in moderately complex communication intended to influence or persuade (CLB 6); understand moderately complex communication intended to influence or persuade (CLB 7, 8) in everyday personally relevant situations.

📖 CLB 6–8: Interpret information contained in formatted texts.

📖 CLB 6–8: Access, locate and integrate information from online reference sources.

Procedures

A. This is a warm-up activity that introduces the topic of filing personal income tax. Learners can work in groups or pairs. Elicit which facts were surprising to learners and why.

Answers:

\$189.2 billion—Total amount of personal income taxes collected by federal, provincial and territorial governments in 2009.

\$50.3 billion—Total amount of corporate income taxes collected by federal, provincial and territorial governments in 2009.

\$78,800—Median after-tax income for two-parent families with children (2010).

\$14,399—Average income tax amount paid by a Canadian household (2010).

64—Percentage of returns filed electronically via NETFILE or EFILE (2010).

16,816,779—Number of tax filers who received a refund for the 2010 tax year.

\$1,586.87—Average refund amount for the 2010 tax year.

\$11,747—Total income tax a person with an annual income of \$50,000 will pay in Quebec for 2011, the highest regional amount in Canada (source: Ernst and Young tax calculator).

\$8,349—Total income tax that same person would pay in Nunavut, the lowest regional amount in Canada (source: Ernst and Young tax calculator).

562—Number of offences against the Income Tax Act in fiscal year 2008–2009.

23.4—Percentage of all tax filers who claimed charitable donations on their tax return (2010).

B and C. This text provides information about how income tax is calculated in different provinces, and can also be used to practice reading formatted text. The questions that follow (Part C) may be difficult to answer without using real numbers for calculations. You can ask learners to research information about possible/average income in an occupation of their choice and calculate income tax amounts for different provinces. Then, learners could write a brief report of their findings.

D. The purpose of this listening text is to provide basic information about the process of filing a personal income tax return. You can elicit what learners know about it before listening. Play the recording as many times as needed. Extend the activity: you can ask learners to describe how to file a personal income tax (letter format or point form).

Transcript

A: Hello, today our guest is Angela, an expert in personal income tax. It's a pleasure to have you here, Angela.

B: I'm glad to be your guest.

A: Our learners have had a lot of questions about the process of filing a personal income tax and I am going to start with the basic one: who needs to file an income tax return?

B: Well, each year, all people who are residents of Canada, for tax purposes, have to file an income tax return. Being a resident for tax purposes can be quite different from what Citizenship and Immigration Canada (CIC) calls a resident. Basically, it means someone with residential ties to Canada, such as a home or things they own, a bank account or credit cards, health insurance with a province or territory, or other similar ties. Examples of newcomers with residential ties are permanent residents (according to CIC), refugees, or people who have applied to be permanent residents.

A: I see. So, can you tell us what an income tax return is?

B: The full name is Income Tax and Benefit Return; it's a form where you list your income, deductions and tax credits so you can calculate your taxes payable. This way you also provide the federal government with information it needs to establish your eligibility for specific tax benefits or credits. A personal income tax return is always submitted for the previous year. It is a legal obligation to file an income tax return by April 30 each year.

A: I see. Where can we get this form?

B: In order to file your personal income tax you need an income tax package from the province where you resided on December 31 of the previous year. This package includes a return (form), federal tax worksheet, provincial or territory tax worksheet, schedules—which are additional forms for various tax-related situations—and a guide. There are a few kinds of income tax packages. The Canada Revenue Agency sends you the package based on your previous year's return. If you need a different one, or if you're filing your return for the first time, you can pick up a package in person at any postal outlet, Service Canada office, or income tax office. You can also order it online, or download it in PDF format. You can also download income tax packages from previous years.

A: What documents will I need to file a return?

B: Well, you will need tax information slips. These are slips sent by employers, banks and businesses to provide information about the income or benefits you received in the previous tax year, and the amount of income tax that was deducted. For example, a T4 slip is issued by an employer and provides information about your earned income; a T5 slip is a statement of your investment income; there are also slips for pension plan benefits or employment insurance benefits. You need to use these slips to complete your return form and then include them with your tax return.

A: Oh, I see. And what about other documents, or additional information?

B: First of all, you need all your income information, and that would also include self-employment income and any RRSP contributions; then, you need all the receipts for tax deductions. You won't need to send them with your return but you need to keep them on file, with a copy of your return. If you plan to file online, you will also need your SIN.

A: Oh, so I can file online as well?

B: Sure, you can actually file your return in five different ways: send it by mail, file it over the Internet using NETFILE; pay a service provider to file your return online using EFILE; hire an accountant to do your income taxes, or use a special service for seniors to do it over the phone. And remember, if you need help completing all the forms and you can't afford an accountant or service provider, you can take advantage of volunteer income tax clinics set up by the CRA. They are offered across Canada from February until the end of April.

A: So, let's say I've filed my return—what's next?

B: Well, if your return showed that you owe money in taxes, you'll need to pay before the deadline. Or, like most Canadians, you may qualify for a refund. The CRA will also send you a document called Notice of Assessment, which states the total amounts of your income and tax paid as well as your allowed RRSP contribution. Remember, it's important that you pay what you owe on time—otherwise you will pay a late-filing penalty, which can be a lot.

A: This has been very informative, Angela, thank you very much.

E and F. These are research-based activities that can also be done outside the classroom. Have learners work on either one. The video gallery on YouTube gives a list of all available clips; you can access the same videos directly on CRA website (here they also include transcripts). You may need to teach/review note-taking strategies for this activity.

Beyond the classroom: Learners can access different income tax packages to acquaint themselves with the content and information needed to complete them. Learners can also make a list of possible tax deductions they could qualify for.

FILING AN INCOME TAX RETURN

A. Match the numbers with the statements about taxes in Canada. Then, read the facts and discuss what surprised you and why.

| | | | | | |
|------------|----------|-----------------|-----|------------|---------|
| \$78,800 | \$11,747 | \$50.3 billion | 64 | \$14,399 | \$8,349 |
| \$1,586.87 | 23.4 | \$189.2 billion | 562 | 16,816,779 | |

FACTS ABOUT TAXES IN CANADA

- _____ Total amount of personal income taxes collected by federal, provincial and territorial governments in 2009.
- _____ Total amount of corporate income taxes collected by federal, provincial and territorial governments in 2009.
- _____ Median after-tax income for two-parent families with children (2010).
- _____ Average income tax amount paid by a Canadian household (2010).
- _____ Percentage of returns filed electronically via *NETFILE* or *EFILE* (2010).
- _____ Number of tax filers who received a refund for the 2010 tax year.
- _____ Average refund amount for the 2010 tax year.
- _____ Total income tax a person with an annual income of \$50,000 will pay in Quebec for 2011, the highest regional amount in Canada (according to *Ernst and Young tax calculator*).
- _____ Total income tax that same person would pay in Nunavut, the lowest regional amount in Canada (according to *Ernst and Young tax calculator*).
- _____ Number of offences against the Income Tax Act in fiscal year 2008–2009.
- _____ Percentage of all tax filers who claimed charitable donations on their tax return (2010).

B. Read the tables below.

HOW IS PERSONAL INCOME TAX CALCULATED IN CANADA?

All residents of Canada are subject to federal and provincial income tax. Tax is collected by the federal government by agreement with the provinces (except Quebec). Both taxes are collected at the same time, when an individual files a yearly Income Tax and Benefit Return. The return determines whether the correct amount of tax has been collected throughout the previous year, resulting in either a balance owed to the government or a refund for an individual.

The federal and provincial/territorial income tax rates for individuals are based on total annual income. Provincial rates vary from province to province. Each province or territory levies its tax at different rates.

Federal tax rates (2012):

15% **on the first** \$42,707 of taxable income, +
22% **on the next** \$42,707 of taxable income (on the portion of taxable income over \$42,707 up to \$85,414), +
26% **on the next** \$46,992 of taxable income (on the portion of taxable income over \$85,414 up to \$132,406), +
29% on taxable income **over** \$132,406.

Provincial/territorial tax rates (2012)—examples:

| | |
|-----------------------------|---|
| Ontario | 5.05% on the first \$39,020 of taxable income, + 9.15% on the next \$39,023, + 11.16% on the amount over \$78,043 |
| Saskatchewan | 11% on the first \$42,065 of taxable income, + 13% on the next \$78,120, + 15% on the amount over \$120,185 |
| Alberta | 10% of taxable income |
| Prince Edward Island | 9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969 |
| Nunavut | 4% on the first \$40,721 of taxable income, + 7% on the next \$40,721, + 9% on the next \$50,964, + 11.5% on the amount over \$132,406 |

B. ① Using the Internet, access information about annual earnings for an occupation(s) of your choice.

- Calculate the approximate income tax you would pay in different provinces. Compare and discuss with a classmate.
- Calculate the approximate income tax for different income brackets. What are the differences?

C. Discuss the questions.

1. How do tax rates compare between the provinces and territories?
2. How do you think the tax rates in Canada compare to the country you come from? other countries?

D. 🎧 Listen to an expert talk about filing an income tax return and answer the questions.

1. Who is a resident of Canada for tax purposes? Provide examples.
2. Why do we need to file a tax return?
3. When does an income tax return need to be filed?
4. What does a personal income tax package include? Where can you get it?
5. What documents do you need to file your return?
6. What information do you need to file your return?
7. How can you file a tax return?
8. How will you know if you owe money or if you will get a refund?

E. 📺 Select a video clip from the YouTube CRA gallery of videos on current tax credits, tax savings and tax deductions (<http://www.youtube.com/user/CanRevAgency>). Watch the video of your choice and take notes of important details. Present the information, including a scenario, to the class.

F. 🔍 Search the Internet for information about tax benefits specific to Ontario. Create a table with the most important information.

Suggested search terms: *income tax credits Ontario, Ontario Trillium benefit*

G. TAX TRIVIA GAME



| | | | |
|--|---|--|--|
| Name four taxes that Canadians pay. | Where can you get an income tax form? | What is taxable income? | Which province has the lowest personal income tax rates? |
| What is the difference between PST, GST and HST? | What is duty? | Name the government office in charge of collecting income tax. | Name three federal taxes. |
| Name four services paid for by municipal taxes. | When is the deadline to file an income tax return? | What does HST mean? What is its rate in Ontario? | Which government collects property taxes? |
| What are transfer payments? Why are they made? | What will happen if you don't file your tax return on time? | How can you file your income tax return? | What is the Canada Child Tax Benefit? |
| Explain how a tax shelter works. | What is GST/HST credit? | How can you reduce the amount of taxable income? | Give an example of a commodity tax. |